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DISCLAIMER

PRELIMINARY PUBLIC OFFERING TERMS

Issuer: RADA Electronic Industries Ltd.
(Nasdaq: RADA)
Type of Offering: Public Follow-on Offering
Book Runner: Chardan Capital Markets, LLC.
Offering amount: Up to \$8,500,000
Securities being Offered: Common
Over-Allotment Option: 15 %
Exchange: NASDAQ

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Capital Markets Performances
Market Cap \$18.0 million
Price \$1.88/share
90-Day ATV \$1,800,000
EV/EBITDA (LTM) 14.3x
Preliminary Offering Terms

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USE OF PROCEEDS

	(\$MM)
Debt Repayment	\$7.6
Transaction Fees and Expenses	\$0.9
Total	\$8.5

COMPANY OVERVIEW

§ RADA Electronic Industries Ltd. is a defense electronics contractor specializing in the development, manufacture and sale of avionics solutions, inertial navigation systems and ground-based radars

§ Founded in 1970 and went public in 1985

§ Headquartered in Netanya, Israel and currently has 110 employees

§ Company primarily sells to United States, domestic Israel, Asia and Latin America

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PRODUCTS

§ Avionics: Data/video recording, Intelligence, Surveillance (“ISR”) and Reconnaissance upgrades and Build-to-Spec/Build-to-Print units for manned platforms & Unmanned Aerial Vehicles (“UAV”)

§ Inertial navigation systems (“INS”): includes Micro Electro Mechanical System (“MEMS”) and Fiber Optic Gyro (“FOG”) technologies based Inertial Measurement Units (“IMUs”) and INS for air and land platforms

§ Radars: compact Active Electronically-Scanned Array (“AESA”) systems, particularly for active protection, hostile fire detection, air defense, and border surveillance

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SELECTED CUSTOMERS & PARTNERS

Avionics

INS

FACH

IAF

IDF

Radars

HISTORICAL FINANCIALS OVERVIEW

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§ With the maturing of the FOG, MEMS and AESA technologies, RADA was able to scale back R&D in 2014 and roll out new radar and INS products

§ Company retired a low margin Latin American contract in 2013 and the gross margin improved by a large degree; it no longer intends to pursue similar contracts

POTENTIAL FUTURE CONTRACTS

Avionics:

- HD mission recorder for F-16
- Indian AF SU-30 upgrades
- Indian Army LCH recorder
 - Chilean AF upgrades

Radars:

- IDF hostile fire detection
- Boeing / LM / USN high energy laser systems
 - India BSF HFD
 - S. Korea C-UAS
- Various VSHORAD

Inertial Navigation System:

- HAL Light Utility Helicopter (LUH) INS
 - Indra Radar pod INS
- Rafael Litening pod ISU

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In the next 5 years:

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- § A new entrant to the greater radar and INS markets armed with mature and proprietary technology
 - Sophisticated software that allows use of less expensive sensors for INS
 - INS produced in Israel, competing effectively against European players
 - Incorporates cost-reducing telecom components for Radars
- New radar products are being tested by Boeing, Lockheed Martin, DRS and the U.S. Navy
 - § Offered in a different price class than equivalent-performance products, providing medium-grade capabilities at lower prices
- Industry-standard products primarily compete within an established framework of price-performance tradeoffs
- Top-tier, best-performing products are frequently unaffordable, especially in a budget-constrained environment
- Continued technology development can move RADA portfolio into a higher price/performance class

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RADA'S COST-EFFECTIVE PRICING STRATEGY

RADA's COMPETITIVE ADVANTAGES

Products	Key Competitors	Current Competitive Strengths
Avionics	TEAC (UTC)	<ul style="list-style-type: none"> • Established international track record and reputation • Experienced management team, history of strong partnerships • Product development based on providing low-cost, high-capability • ISR upgrades leverage intimate relationships with customer
	Elbit	
INS	Zodiac	<ul style="list-style-type: none"> • Unique approach to market • Offering MEMS systems with dramatically upgraded software packages to increase accuracy • FOG technology provides opportunity to displace traditional high-cost prime contractors on current aircraft applications • No ITAR-driven restrictions on technology transfer • Well-established existing relationships with key customers
	IAI	
Radar	ARINC	<ul style="list-style-type: none"> • “Software-defined radar” is adaptable to multiple applications • Major contract with a leading MOD • AESA technology enables compact, affordable and high-performance radar systems • Strategic alliance with DRS in the U.S.
	Sagem	
	Thales	
	NGC	
	IAI/Tamam	
	Honeywell	
	Elta	
	SRC	
	Technovative Applications	
	Saab	
	Mustang	
	EADS Defence	

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CURRENT OPERATION OVERVIEW

Revenue Breakdown By Region

(2014YE)

Revenue Breakdown By Business Line

(2014YE)

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INS: Future Growth

-Indicative price as low as 50%-
80% of European rivals'

Radar: Future Growth

-Indicative price as low as 30% of
global rivals'

-Sales to Israel, U.S. and Europe

Avionics: Stable Demand

-Stable demand expected in the
near term

INS

4%

Avionics

87%

Avionics

25%

INS

30%

Radar

45%

BUSINESS STRATEGY BY PRODUCT

CURRENT REVENUE MIX

(2014YE)

REVENUE MIX GOALS

(in 5 years)

Radar

3%

Name	Position	Bio
Herzle Bodinger	Executive Chairman	<p>§ Served as executive chairman since 1998</p> <p>§ 1998-2001 & 2006-2007: first joined in 1997 as chief executive officer of the U.S. subsidiary and appointed CEO</p> <p>§ 1992-1996: served as the Commander of the IAF</p> <p>§ Joined RADA in 2000 and served as CEO since 2007</p> <p>§ 2000-2003: served as COO until 2003</p> <p>§ 2003-2007: VP of marketing and sales</p>
Zvi Alon	CEO	<p>§ Previously in various managerial positions with IAI and served as active and reserve fighter pilot in the IAF for 40 years</p>
Shiri Lazarovich	CFO	<p>§ Served as CFO since 2007</p> <p>§ 2004-2007: served as controller</p> <p>§ Previously worked at PwC, Israel</p>

MANAGEMENT OVERVIEW

INVESTMENT HIGHLIGHTS

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Radars & INS

Growth

Competitive pricing points underpinned by superior technology

Global Military

Export Exposure

Increased global sales channels span broad range of A&D geographic
markets: Israel, U.S., Asia, Latin America and Europe

Stable Avionics

Business

Profitable avionics product line provides stable, cash-generating
business

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	2014YE
	(U.S. dollars in thousands, except per share data)
Revenues	\$ 22,481
Cost of revenues	15,944
Gross profit	6,537
Research and development, net	789
Marketing and selling	2,392
General and administrative	1,901
Operating income	1,455
Financial expense, net	1,254
Net Income	201
Net income loss attributable to non-controlling interest	7
Net income attributable to RADA Electronic Industries' shareholders	\$ 208

CONSOLIDATED INCOME STATEMENT

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March 31, 2015

Unaudited

(U.S dollars in thousands, except per share data)

Current Assets:	
Cash and cash equivalents	\$ 2,229
Trade Receivables	3,467
Others	2,785
Inventories	6,810
Total current assets	15,291
Long-term Receivables And Other Deposits	1,388
Property, Plant And Equipment, Net	2,912
Goodwill	587
Total Assets	\$ 20,178
Total current liabilities	16,146
Total long-term liabilities	636
Shareholders' Equity	
Paid-in capital	71,003
Accumulated deficit	(68,223)
Total RADA shareholders' equity	2,780
Non-controlling interest	616
Total Equity	3,396
Total Liabilities & Equity	\$ 20,178

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CONSOLIDATED BALANCE SHEET

PRODUCT OFFERING DETAILS

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GLOBAL INS & RADAR MARKET OVERVIEW
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Description
Technology
Differentiators
Performance
V.S. Price
INS
Radar

State-of-the-art fiber-optic gyro (FOG)- and micro-electromechanical systems (MEMS)-based inertial navigation and attitude control solutions

Solid-state, fully digital (software-defined) pulse Doppler-based non-uniform active electronically-scanned array (AESA) radars with hemispheric spatial coverage & multi-mission capabilities

- Sophisticated proprietary sensor fusion algorithms
- Embedded modular design principles allow integration of multiple diverse sensor inputs
- Proprietary antenna design, usage of COTS components
- Superior signal processing provides multipath cancellation, ECCM (jamming resistance), very wide target velocity range
 - Representative application: blended INS/GPS solution
- Indicative performance (FOG): <0.05 static accuracy (1σ)
- Indicative price: $\sim 0.5-0.8x$ of equivalent-performance rival
 - Representative application: Hostile fire detection system
- Indicative performance: 10km (81mm mortar), $<150m$ POO
 - Indicative price: $\sim 0.3x$ of equivalent-performance rival

Identified

Potential

- Create products suitable for primary aircraft navigation
- Build on data fusion techniques for sustained aircraft & ground vehicle navigation in GPS-denied environments
 - Expand detection envelope to slow/stationary targets
- Integrate with C-RAM and C-UAS systems such as high energy lasers and nano UAV neutralization systems

FEATURES OF INS & RADAR

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We have filed a registration statement with the Securities and Exchange Commission, or SEC, for the offering to which this communication relates. Before you invest, you should read the preliminary prospectus and registration statement dated July 15, 2015 and the other documents that we have filed with the SEC for more complete information about us and this offering. You may get these documents for free by visiting EDGAR on the SEC web site at www.sec.gov. Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling 646-465-9025.
